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MARKET ACCESS SECRETARIAT
Global Analysis Report

Sector Trend Analysis

Bottled Water
in China

February 2017

EXECUTIVE SUMMARY

- In 2015, China was the largest bottled water market worldwide, with US$16.4 billion worth of retail value sales. China imported US$410.9 million of bottled water in that same year.
- Three of the top five international bottled water companies in 2014 sold products in China. Danone Groupe was the top-ranked company, followed by the Coca-Cola Co. and Nestlé SA.
- South Korea, Taiwan, and the United States were the top three suppliers of bottled water to China in 2015. Combined, these three countries held over 49.1% of the total available market share.
- The Chinese bottled water industry is dominated by still bottled water, which accounted for over 90% of retail values sales in 2014.
- The increasing consumption of bottled water in China is largely due to poor-quality tap water, growing awareness of the health benefits of bottled water, higher income levels and increasing international tourism.
- Even though Canada exported over CA$168.8 million worth of bottled water products to the world in 2014, it had a large export gap with China, as most (76.1%) of Canada's bottled water products were shipped to the United States.
- The National Health and Family Planning Commission of the People's Republic of China (NHFPC) announced in December 2014 that they had extensively modified their standards for packaged bottled drinking water. These standards came into effect on May 24, 2015.

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POSITIONING BOTTLED WATER IN THE WORLD

Top 5 Bottled Water Companies Worldwide in 2014, US$ billions

Company	International Sales	Sales in China
1. Danone, Groupe	$12.9	$1.7
2. Coca-Cola Co	$11.5	$0.74
3. Nestlé SA	$10.7	$0.27
4. PepsiCo Inc	$4.3	N/A
5. Suntory Holdings Ltd	$1.9	N/A

Source: *Euromonitor International, 2015*

Top 10 Bottled Water Markets Worldwide in 2015, US$

Country	Retail Sales
1. China	**$16.4 billion**
2. US	$13.6 billion
3. Mexico	$13.2 billion
4. Indonesia	$6.5 billion
5. Germany	$3.2 billion
6. Japan	$2.8 billion
7. France	$2.6 billion
8. Brazil	$2.6 billion
9. Turkey	$2.5 billion
10. Russia	$2.5 billion

Source: *Mintel Market Sizes, 2016; Global Trade Tracker, 2016*

The Bottled Water* Market in China in 2015, US$

Indicator	Value
Retail sales, 2015	$16.4 billion
Imports of bottled water products* from the world	$410.9 million
Exports of bottled water products* to the world	$809.6 million
Dependence on imports	2.5%

Top 10 Importers of Bottled Water* Worldwide 2015, US$ millions

Country	Imports US$	Top Suppliers & Market Share			Canada's Share
		1	2	3	
United States	$3,429	Switzerland 28.5%	Austria 18.3%	Mexico 12.0%	3.30%
United Kingdom	$1,335	Netherlands 19.0 %	Belgium 16.7%	Ireland 12.2%	0.04%
Germany	$1,105	Austria 34.0%	France 9.6%	Netherlands 9.3%	<0.01%
Belgium	$1,068	France 49.2%	Netherlands 17.4%	Austria 11.8%	<0.01%
Canada	$942.7	United States 78.0%	Switzerland 5.6%	Italy 4.2%	100.00%
Hong Kong	$842.1	China 78.7%	Taiwan 3.3%	United States 3.2%	<0.01%
France	$812.6	Germany 20.5%	Belgium 17.7%	Italy 14.4%	<0.01%
Netherlands	$641.9	Germany 34.5%	Belgium 27.8%	Austria 11.8%	<0.01%
Japan	$445.6	United States 32.6%	France 26.5%	Switzerland 22.7%	0.62%
China	**$410.9**	**Taiwan 18.5%**	**South Korea 18.2%**	**United States 12.4%**	**2.11%**

Source: *Global Trade Tracker, 2016*

Note: *For the purposes of this report, "bottled water" was defined using the following HS codes: 2201, 2202*

Although Canada exported over US$132.3 million worth of bottled water products to the world in 2015, the majority (76.1%) went to the United States. China's imports of Canadian bottled water are small, but have been steadily increasing over the last five years: while China imported US$0.74 million dollars of Canadian water in 2011, that number increased to US$7.28 million in 2015. In addition, China's imports of Canada's bottled water have been increasing at a faster pace than their imports from the world, so Canadian exporters can take advantage of this trend.

Bottled Water* Supply Gap, 2015 (US$ Millions)

	2011	2012	2013	2014	2015	2011-15 CAGR* %
China's imports of bottled water products* from the world	130.61	180.21	220.17	283.56	340.21	27.0%
China's imports of bottled water products* from Canada	0.74	0.83	4.51	3.13	7.28	77.0%
Supply Gap	129.87	179.38	215.66	280.43	332.93	26.5%

Source: *Global Trade Tracker, 2016* ****CAGR:*** *Compound Annual Growth Rate.*
****Note:*** *For the purposes of this report, "bottled water" was defined using the following HS codes: 2201, 2202*

ECONOMIC DRIVERS AND CONSUMER ATTITUDES

China is the second-largest economy in the world after the United States, and its economy will continue to grow through 2020, albeit at a slower rate than in previous years. In addition, China has the largest population in the world, and its population will continue to grow over the next few years, reaching over 1.4 billion people by 2020 (Euromonitor International, 2016). As Chinese consumers continue to worry about water safety, the growing economy and population could continue to have a positive effect on bottled water sales in the coming years.

Bottled water is worth US$118.1 billion globally, and the Asia-Pacific region has the highest consumption, accounting for 29.2% of the current worldwide market in 2014. In that same year, China accounted for over half of the total bottled water sales in the Asia-Pacific region, with a total retail sales value of US$18.5 billion. Consumption of bottled water in China increased steadily between 2010 and 2014 as consumers have been drinking bottled water for hygiene and safety reasons (Euromonitor International, 2015).

The major factors affecting the increase in bottled water consumption in China are: poor-quality tap water, increasing health awareness, higher income levels, and international tourism. Together, these factors are fueling demand, and it is probable that as income grows and tourism increases, further growth in demand will follow (chinadialogue, 2014).

RETAIL ENVIRONMENT

According to Datamonitor, unflavoured still bottled water accounted for 91.2% of total bottled water sales in China, in 2014, followed by unflavoured sparkling water (7.0%), and flavoured sparkling water (1.6%). Overall, in 2014, bottled water sales saw an increase of 12.9% over 2013. Sparkling flavoured bottled water experienced the strongest growth from 2010 to 2014 with a compound annual growth rate (CAGR) of 19.5%, while unflavoured still water, the largest subcategory, posted a compound annual growth rate of 13.1% over the same period, reaching value sales of just over US$18.5 billion. This trend is forecasted to continue through 2019 (Datamonitor, 2015).

Historic Retail Value Sales of Bottled Water Subcategories in China, in US$ Millions and Period Growth (%)

Subcategories	2010	2011	2012	2013	2014	2015[E]	2010-15 CAGR* %
Still unflavoured	10,053.0	11,545.1	12,965.8	14,568.5	16,448.3	18,479.6	12.95%
Sparkling unflavoured	792.7	911.1	1,011.1	1,130.0	1,260.7	1,397.9	12.01%
Sparkling flavoured	141.1	170.9	205.7	245.4	287.8	334.2	18.82%
Still flavoured	23.4	26.8	29.8	33.4	37.3	41.4	12.09%

Forecast Retail Value Sales of Bottled Water Subcategories in China, in US$ Millions and Period Growth (%)

Subcategories	2016[F]	2017[F]	2018[F]	2019[F]	2016-19 CAGR* %
Still unflavoured	20,740.3	23,284.2	26,117.4	29,170.5	12.04%
Sparkling unflavoured	1,544.7	1,703.4	1,874.9	2,057.0	10.02%
Sparkling flavoured	389.3	449.3	515.8	587.2	14.68%
Still flavoured	46.0	51.0	56.5	62.3	10.64%

Source for both: *Datamonitor, 2015*
****CAGR:*** *Compound Annual Growth Rate/E=Estimate, F=Forecast*

The retail volume of bottled water will continue to see steady growth over the next four years, reaching an estimated 44.2 billion litres by 2019. Although sparkling flavoured water forms a small subcategory, it posted the largest compound annual growth rate for all categories from 2010 to 2015, with 18.82% growth, and it is forecasted to experience further double digit growth through 2019, with an estimated compound annual growth rate of 14.68%.

Historic Retail Volume Sales of Bottled Water Subcategories in China, in Millions of Litres

Subcategories	2010	2011	2012	2013	2014	2015[E]	2010-15 CAGR* %
Still unflavoured	21,803.0	23,799.7	25,579.3	27,806.6	29,991.7	31,903.7	7.91%
Sparkling unflavoured	1,484.9	1,619.8	1,759.9	1,924.5	2,082.1	2,234.4	8.52%
Sparkling flavoured	292.0	352.8	424.0	504.9	592.5	688.3	18.71%
Still flavoured	40.3	43.6	46.5	50.0	53.4	56.7	7.07%

Forecast Retail Volume Sales of Bottled Water Subcategories in China, in Millions of Litres

Subcategories	2016[F]	2017[F]	2018[F]	2019[F]	2016-19 CAGR* %
Still unflavoured	33,811.6	36,022.3	38,022.1	40,078.4	5.83%
Sparkling unflavoured	2,385.5	2,545.3	2,703.1	2,864.3	6.29%
Sparkling flavoured	801.7	925.7	1,063.3	1,210.8	14.73%
Still flavoured	60.1	63.6	67.3	71.0	5.71%

Source for both: *Datamonitor, 2015*
****CAGR:*** *Compound Annual Growth Rate/E=Estimate, F=Forecast*

Four of the top five bottled water companies in China are domestic players and account for a combined 62.1% of the total market share by volume and 50.4% by retail value, indicating a very concentrated

environment. The leading company, Nongfu Spring Ltd., holds slightly more market share than the other three main domestic companies, Tingyi Holdings Ltd., Hangzhou Wahaha Group Co., Ltd. and China Resources Enterprise Ltd. Nongfu Springs saw its market share increase significantly in 2015, jumping from third place by volume (second place by value) to first place by volume and value.

Top 5 Bottled Water Company Shares in China – Retail Sales Share by Volume % Breakdown

Companies	2012	2013	2014	2015
Nongfu Spring Ltd.	11.8	11.7	11.5	20.1
Tingyi Holdings Ltd.	17.8	17.5	17.2	16.9
Hangzhou Wahaha Group Co., Ltd.	16.6	16.3	13.2	14.7
China Resources Enterprise Limited	4.3	4.6	9.6	10.4
The Coca-Cola Company	5.2	4.9	4.9	5.6

Source: *Mintel Market Sizes, 2016*

Top 5 Bottled Water Company Shares in China – Retail Sales Share by Value % Breakdown

Companies	2012	2013	2014	2015
Nongfu Spring Ltd.	11.6	11.6	11.8	19.2
Tingyi Holdings Ltd.	14.6	14.3	13.6	12.6
Hangzhou Wahaha Group Co., Ltd.	12.6	12.8	10.4	10.6
China Resources Enterprise Limited	4.8	6.1	7.4	8.0
Nestlé S.A.	4.8	4.3	4.3	4.1

Source: *Mintel Market Sizes, 2016*

FOODSERVICE ENVIRONMENT

China's foodservice industry, such as full-service restaurants and self-serve cafeterias, offer patrons free tap drinking water; however, most patrons frequenting these types of establishments will chose to consume other beverages like juice, tea or alcoholic drinks. Therefore, bottled water companies are distributing their products through cafés and pubs and are mainly targeting high-end consumers (Euromonitor International, 2014).

STANDARDS

The National Health and Family Planning Commission of the People's Republic of China (NHFPC) announced in December 2014 that they had extensively modified their standards for packaged bottled drinking water. The new Hygienic Standards of Packing Drinking Water (GB19298-14) replaced two outdated standards from 2003 (GB19298-2003) and 1998 (Bottled Purified Water: GB17323-1998) and came into effect on May 24, 2015 (Chemical Inspection and Regulation Service, 2015) .The new standard applies to all packaged water products for direct consumption, except natural mineral water products (SGS, 2014). For more information on the new standards, please refer to the article *New Hygienic Standard of Packaged Drinking Water* from the Chemical Inspection and Regulation Service.

Additionally, a number of bottled water companies in China started introducing lightweight packing in 2013 in response to the government's strategy on energy saving and emission reductions. The result was a package weight reduction from 14g to 12g (Euromonitor International, 2014).

NEW PRODUCT LAUNCHES

According to Mintel (2016), from 2011 to 2015, there were 430 new bottled water (unflavoured and flavoured) products launched in China. Of the 430 launches, 268 were completely new products. Unflavoured water was the most popular type, accounting for 85.6% of all products launched over the five year period. The top three bottle sizes were 500 ml with 83 products launched, and 550 ml and 350 ml, with 73 products launched each. Lemon was the most popular flavour used over the 2011 to 2015 period with 21 products, followed by salt (6) and rose (5). In addition, the most popular flavour group was fruit and vegetable with 46 products, followed by herbs and spices (9) and flora (8).

New Product Launches of Bottle Water in China, January 1, 2011 to December 31, 2015, by Feature

Feature	Yearly Launch Counts				
	2011	2012	2013	2014	2015
Yearly product launches	110	101	66	61	92
Launch type					
New product	74	42	41	51	60
New packaging	15	18	8	24	49
New variety/range extension	12	6	12	18	27
Top five claims					
Low/No/Reduced Sugar	11	6	7	8	10
Ethical - Environmentally Friendly Package	4	2	7	2	7
No Additives/Preservatives	7	3	5	4	6
Vitamin/Mineral Fortified	10	1	0	9	4
Other (Functional)	8	2	2	5	2
Subcategories					
Unflavoured water	81	59	50	73	105
Flavoured water	20	7	11	20	31
Top five pack sizes					
500 ml	19	8	12	21	23
550 ml	18	10	9	15	21
330 ml	6	8	5	8	18
350 ml	26	13	6	15	13
360 ml	6	3	5	8	8
Top three prices ($US)					
$0.46	4	0	0	5	2
$0.15	4	0	1	3	2
$0.16	2	4	2	0	2

Source: *Mintel GNPD, 2016.* ****Note:*** *rankings are based on 2015 data*

NEW PRODUCT EXAMPLES, 2016

Natural Drinking Water

5100 Ge Sang Quan Yin Yong Tian Ran Shui (Natural Drinking Water) is sourced from a glacier in Tibet. This product retails in a 550ml pack featuring the Wechat QR code.

Company: Tibet Glacier Mineral Water
Brand: 5100 Ge Sang Quan
Category: Water
Date Published: October 2016
Price: US$0.48
Pack Size: 550 ml

Claims: Social Media

Apple Flavoured Soda Water Carbonated Beverage

Youdao Soda Ping Guo Wei Su Da Qi Shui (Apple Flavoured Soda Water Carbonated Beverage) has been repackaged. This product now retails in a newly designed 500ml pack featuring the WeChat code, a promotion to win prizes and a QR code.

Company: Youdao Jizhi Foods
Brand: Youdao Soda
Category: Flavoured Water
Date Published: September 2016
Price: US$0.84
Pack Size: 500 ml

Claims: Social Media

Natural Spring Water with Zinc

Dong Ting Shan Zi Yi Tian Ran Quan Shui (Natural Spring Water with Zinc) is QS certified. This product retails in a 320ml pack.

Company: Dong Ting Shan Natural Spring Water
Brand: Dong Ting Shan
Category: Water
Date Published: July 2016
Price: US$0.43
Pack Size: 320 ml

Source for all: *Mintel GNPD, 2016*

CONCLUSION

China's demand for bottled water will continue to increase over the coming years, and their bottled water market is forecasted to almost double through 2019. Canadian bottled water exports to China have grown significantly over the last five years, although the supply gap is also growing. As such, there are significant opportunities for Canadian bottled water producers to expand in the Chinese market.

China's bottled water market is highly concentrated. National brands control a majority of the volume and value of sales. Nonetheless, international players have established a presence in China: three of the world's top five brands sold their products there in 2014.

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in China**
  www.tradecommissioner.gc.ca/cn

- **Find a Trade Commissioner**
  www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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For information on Food and Hospitality China 2016, please contact:

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RESOURCES

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SECTOR TREND ANALYSIS: BOTTLED WATER IN CHINA
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